GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

UNSTARRED QUESTION NO:3273
ANSWERED ON:21.12.2004
PRICE SUBSIDY ON FERTILIZERS
Barad Shri Jashubhai Dhanabhai;Bishnoi Shri Kuldeep;Gadakh Shri Tukaram Gangadhar;Kalmadi Shri Suresh;Modi Shri Sushil Kumar;Owaisi Shri Asaduddin

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether the Government has received representations to reduce the price of fertilizers in the country;

(b) if so, the details thereto;

(c) whether changes in price of fertilizers providing concession norms have been made recently;

(d) if so, the details thereof;

(e) the existing subsidy given to farmers on various fertilizers at present;

(f) whether new cost effective system is likely to replace the present cost plus method of subsidizing;

(g) if so, the details thereof;

(h) whether the Government is paying higher subsidy to indigenous manufacturers of various fertilizers as compared to imported fertilizers; and

(i) if so, the extent to which this decision is likely to minimize the subsidy on domestic fertilizers?

Answer

THE MINISTER OF CHEMICALS AND FERTILIZERS & MINISTER OF STEEL (SHRI RAM VILAS PASWAN)

(a) & (b) : The representations from various organizations are received from time to time requesting for reduction in prices of chemical fertilizers. There has been no increase in the prices of chemical fertilizers since 28.2.2002. The increase in prices of chemical fertilizers announced w.e.f. 28.2.2003 was withdrawn w.e.f. 12.3.2003. The prices of major chemical fertilizers are as follows:

(Rs./MT)

S. No.	Name of the fertilizer	MRP/indicative MRPs from 28.2.2002 to 27.2.2003	MRP/indicative MRPs for the period from 28.2.2003 to 12.3.2003	Current MRP/indicative effective from 11.3.2003
1.	Urea	4830	5070	4830
2.	Di-ammonium phosphate (DAP)	9350	9550	9350
3.	Muriate of Potash (MOP)	4455	4655	4455

(c) to (g): New Pricing Scheme (NPS) for urea units has been introduced w.e.f 1.4.2003 replacing the erstwhile unit specific and cost plus Retention Price Scheme (RPS). NPS aims at greater transparency, efficiency and uniformity in subsidy disbursement to urea units and inducing them to take cost reduction measures on their own to be competitive.

Due to change in the pattern of manufacturing of DAP in the country, the Department of Fertilizers had entrusted a cost price study of

DAP and MOP to Tariff Commission in 2001. The Tariff Commission has submitted its report to the Government in February 2003. Based on the recommendations of the Tariff Commission, Government has implemented the revised methodology of working out concession rates on indigenous DAP w.e.f 1.4.2003. In the revised methodology based on the usage of phosphoric acid, manufacturers of DAP have been divided into two groups. The manufacturers using indigenously produced phosphoric acid have been placed in Group I and the manufacturers using imported phosphoric acid have been placed in Group II. This revised policy provided fair normative price to the manufacturers and encourages competition among them within the Group.

The amount of subsidy/concession paid during 2003-04 was Rs. 8521 crore on urea and Rs. 3326 crore on decontrolled phosphatic and potassic fertilizers.

(h) & (i): The quantum of subsidy/concession on indigenously manufactured fertilizers and imported fertilizers depends on the cost of inputs including feedstock and fuel used in the manufacture of fertilizers and the prices of fertilizers prevailing in the international market.